

Regional Incomes in Recovery

Buying Power Up in Most States—Regional Advance Varies From 2 to 5 Percent—Record Average Incomes in All Regions

PERSONAL income advanced in nearly all States in 1961. Recovery was the key feature of economic developments as business activity, under the impact of increased demand and production, turned up vigorously from the first quarter. Cyclical recovery and the concomitant rise in consumer incomes continued throughout the year. Nationally, the flow of personal income rose \$29 billion, 7 percent, from its low point in February to a record volume in December. That recovery was geographically widespread is evidenced from the fact that in nearly every State total employment and factory payrolls were higher at yearend than 12 months earlier.

Against the background of nationwide recovery in 1961, regional incomes advanced generally. In the Nation as a whole, personal income reached a record total of \$414 billion in 1961, 4 percent higher than in 1960. By regions, increases ranged from 2 percent in the industrialized Great Lakes States, where the recession had hit hardest and where recovery was still incomplete, to 5 percent in the New England, Far West, and Rocky Mountain areas, where economic conditions were most buoyant. In the Mideast, the gain was 3 percent, while the Plains, Southwest and the Southeast regions all matched the 4-percent national rate of increase. With consumer prices up a little less than 1½ percent, real purchasing power rose in all regions and in 42 States.

Top-ranking States

Largest relative advances last year—7 to 9 percent—occurred in the smaller States of Iowa, Nevada, Colorado, Arizona and Mississippi. In Iowa, Nevada and Mississippi, sharp increases in farm income provided the main impetus. In Colorado and Arizona, the advance was more general and reflected an increase in production for defense needs as well as a continuation of secular trends.

In comparing income changes from 1960 to 1961, it should be noted that the recent downturn in economic activity spanned parts of both 1960 and 1961. Accordingly, comparison of the annual income totals for the two years does not reveal the impact of the decline and subsequent recovery.¹

Per capita income changes

Nationally, per capita personal income in 1961 was at a record high as average incomes rose to \$2,265, 2 percent more than the 1960 figure of \$2,223. Price increases partly offset this boost, however, and real per capita income was about the same as in 1960.

As shown in the accompanying table, average incomes varied from a high of \$3,059 in the District of Columbia to a low of \$1,233 in Mississippi. Top-ranking States in 1961, all with incomes of more than \$2,600 included Delaware, Nevada, Connecticut, New York, California, Alaska, New Jersey, Massachusetts, and Illinois. In these States incomes ranged from nearly one-sixth to two-fifths above the average for the Nation.

Industrial developments

Most of the unevenness of geographic income changes from 1960 to 1961 is traceable to developments in farming and in manufacturing. Changes in the volume of income paid individuals by these two industries differed significantly from the average for other industries; State-to-State variations in rates of change in both farming and manufacturing were appreciable; and, finally, there were substantial differences among States in the relative importance of these two industries as sources of income.

Nationally, farm income rose nearly one-tenth from 1960 to 1961. This advance reflected increased livestock pro-

duction, lessened output of crops, a small rise in production expenses, and a \$½ billion step-up in Government payments to farmers. As usual, there were wide variations among States in rates of change in farm income. In a number of important agricultural States, income from agriculture rose sharply, but in others there were reductions of unusually large magnitude. In 5 of the 8 States where personal income rose most in percentage terms, farm income provided the major boost. In 2 of the 3 States where total income actually declined last year, reductions in agricultural income—following exceptionally large gains in the preceding year—were a major factor.

Overall, individual earnings in manufacturing showed no change from 1960 to 1961. Among particular types of manufactures, however, changes ranged from an increase of about 3 percent in a number of nondurable goods industries to a decline of one-tenth in the auto industry. Earnings in durable goods industries as a whole had been most affected by the cyclical decline, and, although they made a strong recovery in later months, on balance, disbursements were lower in 1961 than in 1960. Nondurable goods production expanded in both years, and earnings rose accordingly. These developments had a markedly differing geographic impact, which stemmed, in part, from State differences in industrial structure and, in part, from State differences in rates of change in the various types of manufactures.

Government income disbursements—the total of all types of income paid out directly to persons by Federal, State, and local governmental agencies—and earnings of individuals in the service industries were major expansionary elements in the income flow in nearly all States last year. Total payments to individuals from these income sources rose \$5 billion from 1960 to 1961, and uniformity in rates of change

¹ The State estimates of personal income contained in this article are preliminary. Revised figures, incorporating more complete State data and adjusted to revised national totals, will be presented in the usual Industrial sources and type-of-payment detail in the August 1962 issue of the *SURVEY OF CURRENT BUSINESS*.

among the individual States was the rule.

Because of interstate differences in income structure as well as in rates of change in individual income components, the foregoing developments in 1961 affected State income flows in varying degree. Regional highlights

of these effects are summarized in the remainder of this report.

New England moves ahead

Aggregate income expansion in New England from 1960 to 1961 more than matched the national rate. To a large extent, the region's experience reflected the "averaging" of two divergent devel-

opments. An increase in the area's important manufacturing industry—in contrast to "no change" nationally—gave impetus to the regional economy. Conversely, a sizable percentage drop in the area's comparatively small farm income as compared to a significant gain elsewhere in the country tended to dampen the overall income flow.

Table 1.—Total and Per Capita Personal Income, by States and Regions, Selected Years¹

State and region	Total personal income					Per capita personal income						
	Amount (millions of dollars)			Percent of United States 1961	Percent change		Amount (dollars)			Percent of United States		Percent change 1960 to 1961
	1960	1961	1961		1960 to 1961	1960 to 1961	1960	1961	1961	1960	1961	
United States.....	225,472	400,892	414,362	100.00	84	4	1,401	2,253	2,256	100	100	2
New England.....	15,480	26,461	27,253	0.63	80	5	1,629	2,471	2,542	100	111	3
Maine.....	1,057	1,831	1,876	.45	73	1	1,103	1,900	1,891	80	85	0
New Hampshire.....	999	1,263	1,310	.32	88	4	1,310	2,074	2,119	85	94	2
Vermont.....	445	727	747	.18	97	3	1,188	1,850	1,891	84	84	2
Massachusetts.....	7,799	13,016	13,030	3.20	76	6	1,943	2,619	2,614	112	113	1
Rhode Island.....	1,287	1,900	1,901	.48	55	4	1,652	2,226	2,206	111	109	3
Connecticut.....	2,868	7,200	7,648	1.80	98	5	1,900	2,863	2,920	127	120	2
Midwest.....	69,449	96,088	100,079	24.57	73	3	1,750	2,691	2,633	126	117	2
New York.....	26,064	46,927	48,304	11.07	72	3	1,882	2,789	2,830	123	126	2
New Jersey.....	8,009	10,290	10,960	4.09	90	4	1,790	2,045	2,118	120	120	2
Pennsylvania.....	10,477	26,700	28,144	0.31	40	2	1,669	2,260	2,280	105	102	1
Delaware.....	829	1,353	1,350	.23	101	2	2,146	3,013	3,020	144	136	0
Maryland.....	3,755	7,460	7,901	1.91	110	5	1,580	2,394	2,478	106	105	1
District of Columbia.....	1,774	2,232	2,323	.00	31	2	2,279	3,005	3,059	146	135	2
Great Lakes.....	68,744	96,225	97,862	31.30	73	2	1,580	2,373	2,384	111	107	1
Michigan.....	10,903	18,223	18,120	4.37	68	-1	1,032	2,322	2,278	113	104	-2
Ohio.....	12,691	22,773	23,080	5.07	79	2	1,612	2,339	2,297	105	104	0
Indiana.....	8,006	10,192	10,421	2.81	74	2	1,620	2,179	2,212	102	96	0
Illinois.....	13,994	20,426	21,310	6.00	71	3	2,520	2,613	2,603	122	118	1
Wisconsin.....	3,000	8,605	8,012	2.15	71	4	1,167	2,171	2,210	108	106	2
Plains.....	19,854	31,341	33,280	8.84	68	4	1,411	2,472	2,137	86	94	3
Minnesota.....	4,184	7,030	7,382	1.78	70	6	1,397	2,054	2,127	94	92	4
Iowa.....	3,799	6,531	6,010	1.45	68	8	1,410	2,063	2,163	87	90	6
Missouri.....	3,705	6,632	6,594	2.40	73	4	1,446	2,160	2,200	100	100	0
North Dakota.....	781	1,104	1,100	.23	22	-1	1,208	1,741	1,484	80	73	-10
South Dakota.....	793	1,356	1,215	.30	37	-14	1,210	1,842	1,694	82	80	-2
Nebraska.....	1,940	2,988	3,055	.71	58	5	1,472	2,118	2,130	109	106	3
Kansas.....	2,048	4,604	4,730	1.15	70	3	1,380	2,008	2,108	103	106	4
Southeast.....	34,192	62,084	65,217	25.74	91	4	1,011	1,607	1,653	68	72	3
Virginia.....	4,024	7,351	7,705	1.87	93	3	1,234	1,848	1,911	83	83	3
West Virginia.....	2,203	3,106	3,125	.75	42	1	1,068	1,674	1,780	74	75	3
Kentucky.....	2,834	4,702	5,003	1.21	77	6	1,048	1,643	1,780	74	75	3
Tennessee.....	3,253	5,622	5,785	1.39	70	4	1,012	1,648	1,704	67	70	7
North Carolina.....	3,108	7,184	7,660	1.83	84	4	1,012	1,674	1,740	67	71	4
South Carolina.....	1,600	3,341	3,466	.84	80	4	852	1,707	1,441	49	63	0
Georgia.....	3,010	6,340	6,539	1.36	87	3	1,017	1,668	1,744	66	72	3
Florida.....	3,835	6,038	6,107	1.31	107	2	1,237	1,698	1,706	66	66	0
Alabama.....	2,030	4,786	4,700	1.16	84	2	800	1,402	1,384	58	60	2
Mississippi.....	1,690	2,601	2,729	.60	72	7	734	1,173	1,228	40	54	1
Louisiana.....	2,927	5,245	5,292	1.30	84	4	1,067	1,904	1,925	78	72	1
Arkansas.....	1,530	2,397	2,553	.62	60	6	810	1,341	1,520	54	60	6
Southwest.....	14,060	27,304	28,308	0.84	93	4	1,295	1,972	1,983	84	86	2
Oklahoma.....	2,614	4,312	4,434	1.07	76	3	1,146	1,818	1,870	77	83	2
Texas.....	10,376	18,303	19,304	4.00	86	4	1,530	1,951	1,972	100	87	3
New Mexico.....	708	1,700	1,710	.33	124	3	1,162	1,380	1,421	18	51	3
Arizona.....	979	2,020	2,072	.68	139	7	1,203	2,011	2,035	97	90	1
Rocky Mountain.....	5,010	9,135	9,614	2.32	102	5	1,425	2,108	2,104	96	95	4
Montana.....	667	1,503	1,508	.33	43	0	1,040	2,018	2,007	107	91	-1
Idaho.....	767	1,506	1,268	.31	68	0	1,270	1,790	1,804	80	81	3
Wyoming.....	470	775	790	.19	89	3	1,029	2,334	2,304	100	106	1
Colorado.....	1,930	4,070	4,361	1.06	120	7	1,441	2,330	2,440	67	104	10
Utah.....	592	1,711	1,813	.44	103	6	1,232	1,930	1,970	80	85	6
Far West.....	20,378	54,698	57,530	13.69	118	5	1,788	2,643	2,690	120	119	2
Washington.....	3,060	6,020	6,068	1.67	73	4	1,671	2,817	2,380	113	104	3
Oregon.....	2,451	4,005	4,101	.99	87	2	1,060	2,250	2,320	107	102	1
Nevada.....	314	810	885	.21	182	8	1,038	2,844	2,860	130	128	1
California.....	10,027	43,446	46,016	11.02	133	6	1,638	2,741	2,734	125	123	2
Alaska.....	310	639	636	.16	69	1	2,231	2,735	2,718	150	128	-1
Hawaii.....	689	1,432	1,516	.37	120	5	1,403	2,274	2,300	94	102	3

1. Alaska and Hawaii not included in totals in 1960.

Source: U.S. Department of Commerce, Office of Business Economics.

Producers of electrical machinery in Massachusetts, and nonelectrical machinery in Connecticut shared in the steady improvement generated by increased demand for these products. In addition, there were moderate advances in fabricated metals and a spurt in aircraft production in Connecticut. As a result, earnings of manufacturing employees in these two States showed a relative advance well above that in most major industrial States.

Consumer incomes in Maine rose only a little last year as farm income fell two-fifths due to a sharp drop in the price of potatoes, the State's major crop. Nonfarm income rose 3 percent—a rate of gain matching that for the Nation.

Midwest: Big share

The pattern of economic recovery in the Midwest last year generally paralleled national developments in nonfarm income sources. Earnings from the distributive and service industries and from government all moved ahead. Commodity-producing industries, taken together, showed little change from 1960. In Pennsylvania and Delaware, there were, however, departures from this pattern.

Coal and steel were major trouble spots in Pennsylvania's economy. Earnings from mining activity declined at a sharper rate than in the previous year, and wage and salary income from the State's primary metals industry, which accounts for one-fifth of total manufacturing payrolls in Pennsylvania, was 14 percent below the 1960 level of \$1½ billion.

While earnings from chemicals, the cornerstone of Delaware's industrial structure, were little changed from 1960, a sharp decrease in the payrolls of manufacturers of motor vehicles and equipment caused total manufacturing earnings to dip slightly. This, together with a decline of one-eighth in farm income, held the rise in overall consumer incomes in that State to 2 percent.

Great Lakes: Below average rise

Declines in commodity-producing industries held down income flows in the Great Lakes States last year. Curtailments in mining, manufacturing and construction activities were transmitted

to the other sources of income causing a slackening in economic activity throughout the region. As a result the rise in total income in this area (2 percent) was smaller than in any other region.

In the automobile industry, generally, factory payrolls dropped sharply from 1960 to 1961. The brunt of the reduction centered in the Great Lakes States, and was primarily responsible for the 7 percent decline in Michigan's total manufacturing earnings. This downturn in the automobile production cycle also contributed to declines in total factory earnings in Ohio, Indiana, and Wisconsin.

An offset of major proportions was supplied by agriculture with nearly one-half of the \$1 billion national increase in farm income going to farmers in the Great Lakes States. In Illinois alone the rise was a quarter of a billion dollars.

Federal Government payments to individuals in the Great Lakes area rose sharply as unemployment insurance benefits were extended temporarily in response to the cyclical dip in production. These payments partly compensated for the failure of factory payrolls to achieve full recovery. In every Great Lakes State, Federal disbursements increased at above-average rates and the region as a whole led the Nation in the relative expansion in this income source.

Plains: Dominant agriculture

The income story in the Plains States last year was dominated by developments in agriculture. In Kansas, Missouri, Iowa, and Minnesota, increases in farm income ranged from one-tenth to one-half, and in all except Missouri, aggregate incomes responded with above-average expansions. In contrast, in the two Dakotas, income from agriculture fell precipitously—it had doubled in the preceding year—and their total income declined.

In nonfarm income, nearly every State in the region scored a gain larger than the national average.

There were numerous other significant, but more limited, income changes in the States of this region. Mining activity fell sharply in Minnesota, the Nation's largest producer of iron ore, and payrolls of mining establishments

were down one-sixth. This was the most severe decline suffered by any major mining State. Construction payrolls in both South Dakota and Kansas moved up sharply. For the former, it was the third successive year of sizable advance. Manufacturing activity improved significantly in Minnesota, South Dakota, Kansas, and Nebraska.

Southeast: Mixed pattern

With regard to income change from 1960 to 1961, two groups of States may be distinguished in the Southeast. Kentucky, Mississippi and Arkansas all had sizable increases in personal income. In each, the principal factor was a rise in agricultural income. In Mississippi and Arkansas, increased receipts from cotton and soybeans were primarily responsible; in Kentucky, tobacco and livestock were the principal sources. The flow of income in the last State was also bolstered by the distribution in 1961 of a bonus to veterans of World War II.

With one exception, the other States of the Southeast recorded relative gains generally similar to the nationwide averages. In West Virginia, aggregate income last year was about the same as in 1960. Declines of approximately one-tenth in both mining and farming offset small but numerous gains from other income sources. Florida's 1961 experience is noteworthy because of its record of exceptionally rapid growth. Both over the long run, as well as in the recent period, the State has consistently ranked first or second in income growth. In 1961, a slackening in construction, trade, and services held Florida's income advance to one of no more than average proportions.

Southwest: Average rise

Income change in the Southwest last year reflects mainly the experience of Texas which accounts for two-thirds of total income in the region. In that State, better-than-average rates of growth in the private sector made up for a slight lag in income from government, and total income received by Texans in 1961 moved ahead at average rates.

Additional factors making for an
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ship to income include the making up of prewar and wartime deficits in durables, and higher-than-prewar birth rates and family formation. The overriding difference from the prewar period, however, is the maintenance of relatively high economic activity, interrupted by only brief, short-lived recessions. High, steady employment, a large volume of accumulated assets and readily available credit have enabled consumers to build a large stock of durable goods, and therefore to reduce the income sensitivity of durable goods demand from the prewar period. Hence, the relationships now obtained are significantly different from the prewar period which was characterized by deeper and longer recessionary movements.

On the ratio chart, durable goods show characteristic short-term fluctuations relative to income, but also exhibit a strong upward trend in the early postwar years as the heavy backlog of demand was being satisfied, and a flattening out since 1955. This in-

stability becomes even more extreme when the major component, autos and parts, is examined by itself. Some of these wide swings in durables are related to shifts in consumer income, but often they are caused by entirely separate factors. The outbreak of Korean hostilities in 1950 and the new auto styling and innovations in 1955 (both leading to sharp increases in durable purchases) are examples. Also, the cyclical response in the case of durables is strong even in periods of relatively small business fluctuations, reflecting the postponability of purchases of big-ticket items.

Food expenditures, while somewhat unstable in the early period, have moved more closely with disposable income since 1951. Expenditures for clothing and shoes showed only a slightly greater increase relative to income than is true of food. In general, outlays for the major service components did not exhibit large deviations from income trends in the postwar years and, with the notable exception of transportation, increased more rapidly than income.

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average rate of income gain in the Southwest last year was the moderating of a strong income pick-up in Arizona—a continuation of that State's strong post war growth—by the smaller increases in Oklahoma and New Mexico.

Last year's income advance in Arizona was widely based. Every major industry was up substantially. Percentage increases in farm income and in government disbursements matched those in the country as a whole, but in private nonfarm industries the percentage rise was striking. Total earnings of persons employed in industries other than farming and government rose 6 percent in the State from 1960 to 1961 and 2 percent nationally. Among individual industries, the largest gains occurred in trade, services, and manufacturing. In each, Arizona's 1960-61 rate of increase outstripped that in the country as a whole by a wide margin. The rise in total income in the State was accompanied by, and, in fact, partially caused by population growth. Accordingly, per capita income rose at a lesser rate—1 percent.

Rocky Mountain

Nonfarm income in the Rocky Mountain States—the second most agricultural of the regions—experienced one of the largest percentage rises in the Nation from 1960 to 1961—about double that of the Nation as a whole. This top-ranking gain combined with a small decline in income from farming gave the region a percentage rise in total income that ranked, along with that of New England and the Far West, as the largest in the Nation.

Partly making up for a drop in construction was a spurt in farm income in Wyoming. In contrast, Montana's wheat crop suffered severe drought losses and farm income in that State fell more than one-fourth, a decline that offset the gain in income from nonfarm sources leaving total personal income in the State unchanged from 1960 to 1961.

Manufacturing earnings—chiefly related to defense expansion—were a primary factor in boosting nonfarm incomes in Utah and Colorado.

Far West

The Far West, along with the Northwest, scored the largest relative rise in total income—5 percent. Among individual States rates of change varied widely.

Tourism, trade, and a spurt in construction activity pushed aggregate income in Nevada up 8 percent, the second largest relative increase of any State in 1961.

The flow of personal income to residents of California was at a record \$45½ billion last year. This was \$2 billion, or 5 percent, more than the 1960 total. The income advance was broadly based with substantial gains in nearly all lines of economic activity. Largest increases occurred in manufacturing and services, with earnings of persons in these industries rising about \$300 million and \$400 million, respectively, in 1961. Together, the pick-up in manufacturing and services accounted for one-third of the overall income rise in the State. Substantial gains—all better-than-average—were recorded in mining, construction, trade, and finance. Agriculture was the only major industry to show a decline from 1960 to 1961, although activity in parts of some industries—aircraft production, for example—was down.

Consumer incomes in Washington rose 4 percent last year. A good gain in factory payrolls, centering mainly in the large industrial complex at Seattle, gave a strong lift to private nonfarm income. In contrast, farm income in the State declined almost one-tenth and income disbursed by Federal, State, and local governments rose but at less-than-average rates. On balance, then, the aggregate income rise was of average proportions.

Alaska and Hawaii

In Alaska, completion of defense projects reduced earnings in the construction industry approximately one-third; while smaller earnings in the lumber industry were responsible for the drop of one-tenth in factory payrolls.

Aggregate income in Hawaii continued to grow in 1961 as earnings from all major nonfarm components expanded at rates exceeding those recorded for the Nation as a whole.